



TO: Common Manual Recipients

FROM: Carolyn Small, Coordinator/Policy

DATE: October 21, 2003

SUBJECT: Common Manual Updates

Enclosed are the most recent policy updates that the Common Manual Governing Board approved on September 18, 2003, and a new running index of updates to the July 2003 reprint of the Common Manual.

You also may want to view an integrated version of the electronic Common Manual on the Missouri Department of Higher Education web site. The Integrated Common Manual is a particularly useful reference tool, since it includes new policy language shown by underlined text and deleted language shown by strike-outs. In addition, it contains a special feature: a note box, next to text that has been changed, which includes the effective date and triggering event. At the bottom of each page on which a change has occurred, you will find the policy reference number, batch number and the Governing Board approval date. The Integrated Common Manual is provided as a supplement to the enclosed Common Manual updates. You may view the electronic version of the July 2003 Common Manual, all policy updates to the July 2003 Manual that have been distributed to date, and the Integrated Common Manual at www.dhe.mo.gov/publications/icminfo.htm. MDHE participants are notified that new policy updates have been added to the Integrated Common Manual through a notice posted to the MDHE E-Distribution list. You may subscribe to this list by visiting the subscription page online at www.dhe.mo.gov/mdhedigest/signup.htm.

If you have questions about the content of the Common Manual, monthly policy updates, or the electronic Integrated Common Manual, contact Carolyn Small, coordinator - policy analyst, at (573) 751-1767.

Enclosures

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If you have any questions about this publication of *Common Manual* Updates, please contact the MDHE Information Center at (800) 473-6757 or (573) 751-3940.

Running Index of Updates for July 2003 *Common Manual*, through September 18, 2003.

Furnished by the Missouri Department of Higher Education - Student Loan Program



Policy Changes Approved **September 18, 2003**

Unified Student Loan Policy

Batch 106: Proposal 699-700 & 702-704

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update in July 2004. These changes will also be incorporated into the September 2003 *Integrated Common Manual*. The *Integrated Common Manual* is available on the MDHE web site at www.dhe.mo.gov/Publications/cminfo.htm. Please carefully note the effective date of each policy change.

Closed School Loan Discharges

Revised *Common Manual* policy changes the formatting of subsection 12.8.B and creates a separate subheading for language specific to suspending and resuming collection activities during the closed school loan discharge process. This change conforms text in this subsection with the text formats in other subsections within section 12.8. Selected text from the first and second paragraphs under the subheading "Identifying Potentially Eligible Borrowers" has been moved to be the first and third paragraphs under the new subheading "Suspending Collection." The first paragraph of text under the subheading "Notification to the Borrower" has been moved to become the second paragraph of text under the subheading "Suspending Collection." Under this subheading, the text has been revised to clarify that once a lender receives reliable information that a borrower may be eligible for a closed school loan discharge, the lender *must* immediately suspend all collection activities and *may* place any affected loan in an administrative forbearance while awaiting confirmation of the borrower's eligibility for loan discharge. If the borrower's account is placed in a forbearance status, then the forbearance must continue until the lender receives confirmation of the school's closing and confirmation of the borrower's eligibility for loan discharge.

Revised policy also moves text pertaining to skip tracing from the subheading "Procedure for Discharging Loans" to "Notification to the Borrower" and adds text to clarify that if the request is resent to the borrower, the administrative forbearance period must not exceed a total of 60 days after the date on which the lender originally mailed the request to the borrower.

Affected Section:	12.8.B Closed School
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§682.211(f)(7); §682.402(d)(7).
Policy Information:	632/Batch 99
Guarantor Comments:	None

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Child Care Provider Loan Forgiveness Forbearance

The *Common Manual* has been revised to add forbearance under the Child Care Provider Loan Forgiveness Program to the list of criteria that qualify a borrower for mandatory forbearance. A lender must grant this type of forbearance to a borrower who is performing a service that would qualify the borrower for forgiveness under the Child Care Provider Loan Forgiveness Program, unless the borrower has been granted a deferment for the service period. Before granting this forbearance to a borrower, the lender must receive a completed FFELP Child Care Provider Loan Forgiveness Forbearance Form.

For additional information, refer to pages 39263-39265 of the *Federal Register* dated July 27, 2001, and pages 55385-55387 of the *Federal Register* dated August 29, 2002.

General information for this forbearance type is summarized in revisions to Figure 10-2, the Forbearance Eligibility Chart (see attached).

Affected Sections:	10.22.C National Service, Loan Forgiveness, or Department of Defense Repayment Chapter 10, Figure 10-2 Forbearance Eligibility Chart
Effective Date:	Child care provider loan forgiveness forbearance granted by a lender to initial applicants on or after July 27, 2001, and renewal applicants on or after August 29, 2002.
Basis:	Eligibility criteria and procedures published in Part IV of the <i>Federal Register</i> , pages 39263-39265, on July 27, 2001, and in Part I of the <i>Federal Register</i> , pages 55385-55387, on August 29, 2002.
Policy Information:	700/Batch 106
Guarantor Comments:	None

Forbearance Eligibility Chart

Figure 10-2

Type	Length
Discretionary	
Financial difficulties due to personal problems when the borrower is unable to make regularly scheduled payments ¹	The period established in the terms on the written forbearance agreement (not to exceed 12-month increments); no maximum
Reduced Payment Forbearance ¹	
Mandatory	
Medical or dental Internship/Residency ^{2, 3, 4}	12 month increments (or a lesser period equal to actual period during which the borrower is eligible); no maximum
Department of Defense Student Loan Repayment Programs ^{3,4}	
National Service ^{2,3,4}	
Loan Forgiveness for Child Care Providers Loan Forgiveness ^{2,9} —Note: Contingent upon funding by Congress	Note: Procedures for this forbearance type are currently being discussed by the industry and the Department. Period while borrower maintains forgiveness eligibility. 12-month increments
Debt Exceeds Monthly Income ^{4,5}	12 month increments; 3 years maximum
Teacher Loan Forgiveness ^{2,3, 4}	Period while borrower maintains forgiveness eligibility. 12-month increments; 5 years maximum
Mandatory Administrative	
Local or National Emergency ⁷	Period specified by the Department or guarantor plus 30 days following the period
Military Mobilization ⁸	
Designated Disaster Area ⁷	
Repayment Accommodation	3-year maximum for variable interest rate; 5-year maximum for income-sensitive repayment
Unpaid Refund Discharge	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination The period during guarantor review and ending on the date lender receives the guarantor's determination for a borrower who requests a review of a denial determination
Death	Date lender receives reliable notification of death to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Teacher Loan Forgiveness ^{2, 6}	The period while the lender is awaiting a completed forgiveness application, not to exceed 60 days Date lender receives a completed loan forgiveness application to date the lender receives either a denial or the loan forgiveness amount from the guarantor

Administrative	
<i>Borrower Ineligible for Deferment⁶</i>	<i>Beginning date to ending date of the ineligible deferment</i>
<i>Delinquency before a Deferment or Certain Forbearances⁶</i>	<i>First date of overdue payment to the day before the beginning date of deferment or other forbearance type</i>
<i>Late Notification of Out-of-School Dates⁶</i>	Date borrower should have entered repayment to date first or next payment was established
<i>Bankruptcy Filing⁶</i>	The earlier of the first date of overdue payment or receipt of reliable information that the borrower has filed bankruptcy to date of discharge determination or repurchase
<i>Total and Permanent Disability⁶</i>	Date lender receives reliable information to date lender receives acceptable documentation, not to exceed 60 days
	Date lender receives physician letter requesting additional time to date lender receives acceptable documentation, not to exceed 60 days
<i>Repurchase of a Non-Bankruptcy Claim⁶</i>	The period that the loan was held by the guarantor due to a claim purchase
<i>Death</i>	Date after mandatory administrative forbearance due to reliable notification of death ends to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
<i>Closed School</i>	Period of unofficial closure notice as specified by guarantor
<i>Closed School or False Certification⁶</i>	<i>60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination</i>
<i>Delinquency after Deferment or Mandatory Forbearance⁶</i>	<i>Deferment or mandatory forbearance end date to establishment of next due date</i>
<i>Documentation Collection and Processing⁶</i>	Date borrower requests deferment, forbearance, change in repayment plan, or loan consolidation to date supporting documentation is processed by lender, not to exceed 60 days
<i>Unpaid Refund⁶</i>	<i>End date of initial 60-day mandatory administrative forbearance to receipt of completed discharge request and during period of determination of discharge eligibility</i>
<i>New Out-of-School Dates after Conversion⁶</i>	Original repayment start date to adjusted start date
<i>Loan Sale or Transfer⁶</i>	First date of delinquency to date loan is sold or transferred, if the loan is less than 60 days delinquent
<i>Ineligible Summer Bridge Extension⁶</i>	<i>Day after expiration of borrower's last in-school deferment to the 30th day after fall classes begin</i>
<i>Cure⁶</i>	<i>Date of earliest unexcused violation to date lender receives a full payment or new signed repayment agreement</i>
<i>Natural Disasters⁶</i>	<i>From date borrower affected, not to exceed 3 months for each occurrence</i>
<i>Repayment Alignment-SLS/Stafford⁴</i>	<i>First payment due date to last day of the longest applicable Stafford Loan grace period</i>

Note: For detailed information about each forbearance situation, refer to the applicable subsection

¹ Lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement.

² For borrowers only.

³ A request, supporting documentation from the authorized official(s) indicating the beginning and ending dates, and written agreement are required.

⁴ A request is required.

⁵ A request and supporting documentation of monthly income and monthly payments on Title IV education loan obligations, and written agreement are required.

⁶ Lender must notify the borrower (or endorser, if applicable) and document the beginning and ending dates and reason for the forbearance in borrower history record.

⁷ Notice from Department or guarantor is required.

⁸ Documentation showing borrower is subject to a military mobilization is required.

⁹ A request and a completed FFELP Child Care Provider Loan Forgiveness Forbearance Form are required.



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Definition of Lender Expanded

The *Common Manual* glossary definition of "lender" has been expanded to include the types of institutions that may be eligible to participate as a lender in the Federal Family Education Loan Program (FFELP). In addition, the redundant definition of "eligible lender" has been eliminated.

Affected Section:	appendix G
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> , with the exception of a consumer finance company subsidiary of a national bank, which is retroactive to October 7, 1998.
Basis:	HEA 435(d); §682.200(b).
Policy Information:	702/Batch 106
Guarantor Comments:	None



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Lender Reporting of Status Changes and Enrollment Changes

The *Common Manual* has been revised to remove incorrect language from subsection 3.5.D, Reporting Loan Status Changes, regarding lender enrollment reporting requirements. Current guidance on reporting enrollment changes is located in subsection 9.1.B, and specifies that a lender should notify a guarantor of actual changes to a student's enrollment status or dates of attendance. A lender is not required to report the continued enrollment of a student. In addition, the regulatory reference to 34 CFR 682.414(a)(4)(ii)(E) in subsection 9.1.B has been deleted. This regulation addresses recordkeeping requirements rather than reporting requirements.

Affected Sections:	3.5.D Reporting Loan Status Changes 9.1.B Lender Reporting of Enrollment Changes
Effective Date:	Enrollment status changes reported by a lender on or after January 1, 2004, unless implemented earlier by the guarantor.
Basis:	None.
Policy Information:	703/Batch 106
Guarantor Comments:	None



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Forbearance Definitions

The *Common Manual* glossary definitions of "mandatory administrative forbearance" and "mandatory forbearance" have been revised to clarify that the definitions are not intended to provide an all-inclusive list of cases in which a lender is required to grant those types of forbearance. Revised policy retains the current cross-references to sections 10.21 and 10.22, respectively, and adds a cross-reference in each definition to Figure 10-2 to indicate where comprehensive information may be obtained about each of these forbearances.

Affected Section:	appendix G
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§682.211.
Policy Information:	704/Batch 106
Guarantor Comments:	None